

Internal Audit Report 2017/2018

Primary Care Commissioning

**Berkshire East Clinical
Commissioning Groups:**

- Bracknell and Ascot CCG
- Slough CCG
- Windsor, Ascot and
Maidenhead CCG

February 2018

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Distribution list

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For information:	Debbie Fraser, Associate Director of Finance Fiona Slevin-Brown, Director of Strategy and Operations Audit Committee (FINAL ONLY)

Executive summary (1 of 2)

Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	-	-	1	-	-
Operating effectiveness	-	-	1	1	-
Total	-	-	2	1	-

Findings summary

Please see [appendix A](#) for the basis of our report classifications

1

Improvements required over the completeness and level of detail for reporting on projects to the Primary Care Commissioning Committee in Common (medium risk)

2

Delays in the approval for payment of primary care invoices (medium risk)

3

Inappropriate authorisation of a credit note (low risk)

Report classification



Medium Risk (7 points)

Trend



The 2015/16 Primary Care Commissioning report was rated medium risk (11 points).

Executive summary (2 of 2)

Summary of findings

This review was undertaken as part of the 2017/18 Internal Audit Plan agreed with the Audit Committee.

Areas of good practice

We noted the following areas of good practice:

- A Primary Care Strategy supported by underlying workstreams has been developed and is aligned to NHS England's General Practice Forward View;
- The terms of reference of the Primary Care Commissioning Committee in Common (PCC) and the Primary Care Commissioning Operational Group (PCOG) is well documented and has sufficient detail for members to understand how the aims of the Committee will be met;
- The governance structures relating to the PCC are clear and well understood among the members;
- Memoranda of Understanding are in place with NHS England to cover the transition to full delegations. These are being followed and cover financial management, nursing and quality, and primary medical services.
- A glossary of common NHS acronyms is published on the PCC's homepage on the CCGs web-site to assist users when reading the published papers; and
- There was engagement from all members attending the November 2017 meeting attended by internal audit, including effective discussion of agenda points and challenge of information that was presented.

We have identified **two medium** and **one low** risk findings:

- **Improvements required over the completeness and level of detail for reporting on projects to the PCC** - Highlight reports, both the summary presented to the PCC and individual project reports to the PCOG, could be clearer regarding RAG ratings to enable the PCC and PCOG to focus on the key risks to non-delivery. The information contained in the highlight reports, especially those for individual projects presented, was incomplete or contradictory (**medium risk**);
 - **Delays in the approval for payment of primary care invoices** – For six out of 20 invoices and credit notes reviewed relating to primary care expenditure authorisation was received more than a month after it had been received. This was due to invoices being incorrectly coded to the Continuing Healthcare team for action on their initial receipt (**medium risk**); and
 - **Inappropriate authorisation of a credit note** – From the 20 invoices and credit notes reviewed for appropriate authorisation it was identified that one credit note had been authorised by an inappropriate individual. This was due to a limitation in the Oracle ledger system that means those individuals with a nil financial authorisation limit can approve credit notes and therefore a different process needs to be followed to escalate the credit note to a more senior individual's workflow. In this instance the process for invoices rather than credit notes was followed (**low risk**).
-

Background and scope

Background and scope



In May 2014, NHS England invited CCGs to come forward with expressions of interest to take on an increased role in the commissioning of GP services. The intention was to give CCGs more influence over the wider NHS budget and enable local health commissioning arrangements that can deliver improved, integrated care for local people, in and out of hospital.

There were three co-commissioning models that CCGs could adopt:

- Full delegated responsibility for commissioning the majority of GP services.
- Joint commissioning responsibility with NHS England.
- Greater involvement in GP commissioning decisions.

As of the 1 April 2017 the East Berkshire CCGs have adopted a fully delegated model, enabling the CCGs to assume responsibility commissioning the majority of primary medical services with their area team via a Primary Care Commissioning Committee in Common (PCC). Fully delegated commissioning arrangements give the CCGs an opportunity to more effectively plan and improve the provision of out-of hospital services for the benefit of patients and local populations.

In fully delegated commissioning arrangements, the CCGs are accountable for meeting statutory duties in relation to quality, financial resources, equality, health inequalities and public participation.

We performed procedures to understand the governance arrangements in place for PCC investment and activity by the CCGs, as well as understanding decision making processes and whether there are clear responsibilities and accountabilities for performance of PCC. We attended the 22 November 2017 meeting of the PCC to observe the operation of this group and the controls relating to information flows, decision making and reporting.

As part of the move to full delegation the responsibility for a number of financial processes have transferred from NHS England to the CCGs. As such we reviewed the split in responsibilities between the CCGs, CSU, Capita and NHS England, that appropriate approval processes are in place for all primary care payments, and the appropriate financial reporting is in place.

Current year findings (1 of 3)

Improvements required over the completeness and level of detail for reporting on projects to the PCC

Operating effectiveness

1

Rating

Medium

Finding and root cause

From our review of the papers presented to the PCC on 22 November 2017 we identified several areas where the Primary Care Projects Highlight Report could be improved. These include:

- Greater clarity over how RAG ratings have been awarded for individual projects. For example, the NHSE GPFV project was RAG rated Amber but the accompanying narrative stated “Reporting is on track, all deadlines met”, which on a cold reading indicates a Green rating would be more appropriate. For other projects, such as the Community Education Partnership Network, there was a significant accompanying narrative, however, it was not clear what the main drivers of the Amber RAG rating were. To enable committee members to focus on the areas most likely to lead to the project going off course it would be useful to summarise at the start of the narrative those future actions / risks most likely to cause non-delivery.
- Within the highlight report there is no indication of when projects are due to be completed. In addition though some future actions are given in the narrative, e.g. the ETTF – The Avenue (Britwell) project states that “the project manager will also write the business case which is required for the bank”, but expected completion dates are not included for all of the actions.

We also reviewed the more detailed individual project highlight reports which go the Primary Care Commissioning Operational Group (PCOG) and underpin the summary presented to the PCC. We noted several positive elements, including: a requirement to RAG rate; section for key milestones missed and achieved in the current month; key milestones in the next month; key tasks in the current month; key tasks in the next month; and an overall summary. However, there were several areas for improvement, including:

- Completion of all elements of the template. For example, for 3/16 projects the “Milestones due for delivery next month” and “Key tasks due to be undertaken next month” it is unclear whether this due to no milestones or tasks falling due or failure to document. In addition, for 7/16 and 3/16 projects respectively the clinical and executive leads were recorded as TBC indicating a lack of senior ownership for the delivery of key projects.
- The documentation of issues/risk are not inline with the RAG rating. For example, the St Clouds Way development is Amber RAG rated but the “Issue/Risk” and “Mitigating Actions” section are marked “Not applicable”. It would be expected that these boxes would be completed for all projects, especially those with a Red or Amber RAG rating.

(Cont.)

Current year findings (1 of 3 cont.)

Improvements required over the completeness and level of detail for reporting on projects to the PCC

Operating effectiveness

1

Rating

Medium

Finding and root cause

- While for some projects the primary driver behind the RAG rating is specifically stated, for example the WAM GPAF states that “Delay in signing the contract has resulted in the Red RAG rating”, for most this can only be identified by reading the entire highlight report and then taking a holistic view of the project. To enable PCOG members to focus on the areas most likely to lead to the project going off course it would be useful to extract those future actions / risks most likely to cause non-delivery (e.g. the top three concerns) and summarise these at the start of the highlight report.

Implications

Inaccurate, incomplete or contradictory data means the PCC and PCOG members may be less able to hold individuals to account over the performance of individual projects and the actions being taken. Poor quality, or limited, reporting against key projects for delivery of the Primary Care Strategy increases the risk of non-delivery as the PCC and PCOG are unable to actively challenge project owners whose actions are non-aligned to the overarching strategic objectives.

Action plan

Actions are being developed by the Associate Director for Primary Care and will be taken to the next PCC meeting for approval. Details of actions to be circulated to members of the Joint Audit Committee following approval by the PCC.

Responsible individual: Alex Tilley, Associate Director of Primary Care

Target date: 31 March 2018

Reference number: 2017-18-04-01

Current year findings (2 of 3)

Delays in the approval for payment of primary care invoices

Control design

2

Rating

Medium

Finding and root cause

We reviewed 20 primary care invoices and credit notes to confirm that these had been approved by an appropriate individual in a timely manner; of these six (30%) of the invoices had taken more than a month from receipt to approval for payment. The longest delay was 112 days between receipt of the invoice and approval for payment.

These invoices all related to charging of business rates by local authorities on properties used to deliver primary care services. The reason for this is that historically the majority of invoices from local authorities related to the provision of continuing healthcare (CHC) placements. As such on receipt of a local authority invoice this is initially assigned to a member of the CHC team for approval and then needs to be re-allocated out for approval by the Associate Director of Primary Care. Given the significant amount of activity undertaken by the CHC team there is often a delay before this can be resolved. While the issue has now been resolved for the 2017/18 financial year, as most invoicing for business rates take place at the start of the year, with the merger of the CCGs it is important that processes are put in place to ensure that all invoices relating to primary care are appropriately allocated in the first instance. This is especially so as the move from three to one ledger will make it harder for the CHC team to quickly identify incorrectly allocated invoices due to higher levels of activity in a single location.

Implications

Incorrect allocation to the CHC team result in the need to expend staff time re-allocating invoices to the correct individual resulting in an inefficient use of CCG resources. If invoices are not paid in a timely manner this may result in a poor relationship with suppliers and the potential for wider reputational damage if litigation occurs for non-payment of debts.

Action plan

A non-PO rules is currently set up to direct all Local Authority invoices to a member of the CHC team, therefore now that the nature of the invoices from the LA have changed following primary care delegation, this will be removed and the Invoice Query Managers (IQM) will direct the invoices to the appropriate approvers which should resolve this issue.

Responsible individual: Richard Buckley, Head of Financial Control and CSU Support

Target date: 28 February 2018

Reference number: 2017-18-04-02

Current year findings (3 of 3)

Inappropriate authorisation of a credit note

Operating effectiveness

3

Rating

Low

Finding and root cause

All invoices and credit notes raised by an external party relating to primary care require authorisation by either the Associate Director of Finance or the Associate Director of Primary Care. We reviewed 20 invoices and credit notes for appropriate authorisation; of these one credit note had been inappropriately authorised by the PA to the Associate Director of Primary Care.

From discussions with management we understand that this is due to minor differences between how invoices and credit notes can be escalated for authorisation in Oracle ledger system. For invoices if a user does not have sufficient financial authorisation limits attempting to approve the invoice results in its automatic escalation to the next individual in the hierarchy for approval. In practice this is the most common way for escalating invoices to another user's workflow. For the PA to the Associate Director of Primary Care this would escalate an invoice to the Associate Director of Primary Care. For credit notes, however, system limitations mean even those individuals with a nil financial authorisation limit can approve them. Therefore, credit notes must be formally escalated within Oracle rather than by approval, as is the case for invoices. In this instance it appears the process for invoices was followed rather than that for credit notes.

Implications

The individual should be checking and coding credit notes. In this case the individual inappropriately approved the credit note outside of the CCGs' agreed Scheme of Delegation.

Action plan

The signoff limit for credit notes will be explored with CSU and if possible will be set to a low value e.g. £-10m to stop this ability to inappropriately approve credit notes. If this cannot be addressed in this way, then approvers with a zero limit will be reminded not to approve and receive training where appropriate. This will be addressed in the set up of the new Ledger as part of the Merger work.

Responsible individual:

Richard Buckley, Head of Financial Control and CSU Support

Target date:

1 April 2018

Reference number:

2017-18-04-03

**Appendix A: Basis of our
classifications**

**Appendix B: Terms of
reference**

**Appendix C: Limitations
and responsibilities**

Appendices

Appendix A: Basis of our classifications

Critical

A finding that could have a:

- **Critical** impact on achievement of objectives or projects that could result in outputs being 25% over budget / schedule slippage or not meeting primary objectives ; or
- **Critical** impact on operational performance resulting in inability to continue core activities for more than two days; or
- **Critical** monetary or financial statement impact of 1% of budget of greater; or
- **Critical** breach in laws and regulations that could result in material fines or consequences over £200k; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability, e.g. high-profile political and media scrutiny i.e. front-page headlines in national press.

High

A finding that could have a:

- **Significant** impact on achievement of objectives or projects that could result in outputs being 10-25% over budget / schedule slippage or not meeting secondary objectives; or
- **Significant** impact on operational performance resulting in significant disruption to core activities; or
- **Significant** monetary or financial statement impact of 0.5% of budget of greater; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences over £100k; or
- **Significant** impact on the reputation or brand of the organisation, resulting in unfavourable national media coverage.

Medium

A finding that could have a:

- **Moderate** impact on achievement of objectives or projects that could result in outputs being 5-10% over budget / schedule slippage or reduction in scope or quality; or
- **Moderate** impact on operational performance resulting in moderate disruption of core activities or major disruption of discrete non-core activities; or
- **Moderate** monetary or financial statement impact of 0.25% of budget of greater; or
- **Moderate** breach in laws and regulations resulting in fines and consequences over £25k; or
- **Moderate** impact on the reputation or brand of the organisation, resulting in long term unfavourable media coverage restricted to the local press and a significant effect on staff morale.

Appendix A: Basis of our classifications

Individual finding ratings

Low

A finding that could have a:

- **Minor** impact on achievement of objectives or projects that could result in outputs being up to 5% over budget / schedule slippage or a minor reduction in scope or quality; or
- **Minor** impact on the organisation’s operational performance resulting in moderate disruption of discrete non-core activities; or
- **Minor** monetary or financial statement impact of 0.1% of budget or greater; or
- **Minor** breach in laws and regulations with limited consequences over £10k; or
- **Minor** impact on the reputation of the organisation, resulting in short term limited unfavourable media coverage restricted to the local press and a minor effect on staff morale.

Advisory

A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

The report classification is determined by allocating points to each of the findings included in the report.

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification	Description	Points
Low	Low risk	6 points or less
Medium	Medium risk	7 – 15 points
High	High risk	16 – 39 points
Critical	Critical risk	40 points and over

Appendix B: Terms of reference

Scope

We reviewed the design and operating effectiveness of key controls in place relating to the CCGs' processes for primary care commissioning set out below during the period 1 April to 31 October 2017.

The sub-processes and related control objectives included in this review are:

Sub-process	Objectives
Governance	<ul style="list-style-type: none"> There are clear governance structures in place for PCC and these comply with applicable regulatory requirements. There is a PCC strategy in place that outlines the vision, objectives and outcomes of the CCGs' PCC investment. The PCC has a clear remit, and the Governing Bodies in Common have clearly delegated appropriate authority to act in order for the PCC to carry out its function. Plans are in place to effectively manage the transition to fully delegated commissioning and these, including those set out in the Memorandum of Understanding with NHS England, have been adhered to by the PCC. The terms of reference for the PCC identifies roles and responsibilities for PCC, as well as the requirements for quorate decision making.
Accountability and Decision Making	<ul style="list-style-type: none"> Members of the PCC have clearly defined roles and responsibilities to which they can be held to account. Decision making powers are clearly documented. Sufficient appropriate information is provided to the PCC to enable informed decisions to be made.
Performance monitoring	<ul style="list-style-type: none"> There are clearly defined performance measures for PCC, and these are monitored at Board meetings. Variances from planned performance, including versus actual and forecasted performance, is challenged at PCC meetings.
Key Finance Processes	<ul style="list-style-type: none"> There is a document in place clearly outlines the responsibilities of the CCGs, CSU and NHS England in relation to the key finance processes and controls in relation to primary care commissioning. All payments processed by the CSU in relation to primary care commissioning have been approved by an appropriate individual at the CCGs. Regular reporting is received by the CCGs from the CSU in relation to the management of primary care contracts by the CSU and this is reviewed by appropriate individuals at the CCGs.

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of primary care commissioning processes, subject to the limitations outlined below:

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period April 2017 to 31 October 2017 only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

Specific limitations identified as part of the internal auditor's work

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to the Public Sector Internal Audit Standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Committee (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

The procedures performed were limited to information and controls operated by the CCGs, and we did not perform inquiry or review documentation that are owned by external third parties.

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